

# MEDIA PACK

## California - SB 1173, Fossil Fuel Divestment Bill

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*Photo credit: CJ Koepp, Fossil Free California*

**Link to bill:** [SB-1173 Public retirement systems: fossil fuels: divestment.](#)

## PHOTO & IMAGE DRIVE

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## **JUNE 21, 2022 UPDATE**

### **Fossil fuel-funded cop kills California climate legislation**

*Climate justice coalition keeps up the fight for CalPERS, CalSTRS divestment, promises to return with similar legislation next year*

*California* — Today amidst a historic mega-drought, wildfires, and [fossil-fueled public health crises](#), Assemblymember Jim Cooper, Chair of the Assembly Committee on Public Employment and Retirement, refused to allow [Senate Bill 1173](#), California's Fossil Fuel Divestment Act, to be heard in his committee. This one-man veto allows the state's pensions to continue to invest billions from public funds into the fossil fuel industry, for now.

This decision is a moral failure that disproportionately impacts [young people](#), [Indigenous communities](#), [communities of color](#), and [low-income communities](#). [Climate chaos has already cost California billions](#) in damages and health costs from fossil fuel pollution and climate disasters. Jim Cooper, who has just been elected Sacramento County Sheriff, has reported [\\$36,350 in Big Oil campaign contributions](#) from this election season alone.

Since the bill was introduced in February, it has gained the support of [143 unions, cities, and organizations](#), inspiring Californians to make thousands of calls, write nearly 20,000 letters, and organize dozens of meetings with legislators to advocate for SB 1173. All across the state, the fossil fuel industry's power to kill climate legislation has been exposed. The coalition promises to return with similar legislation next year, and will turn up the pressure directly on CalPERS and CalSTRS to live up to their fiduciary duty. Youth organizers will gather [tomorrow morning](#) at the Capitol for an action and press conference to chart the path forward to pension divestment.

"The fossil fuel industry doesn't benefit low-income communities or people of color. We are never considered when they make decisions about their business. It's infuriating that our elected officials take huge donations from this industry, and then turn around and deny young people, frontline communities, and our entire movement the chance to even make our case and have a fair vote," **said Marlay'ja Hackett, 15, Youth vs. Apocalypse.**

The California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) are the two largest public pension funds in the United States, with an estimated \$9 billion invested in fossil fuel

companies. If passed by the Assembly, SB 1173 would have protected the retirement savings of California's teachers, firefighters, and state workers from being used to finance oil, gas, and coal.

An estimated [1,500 institutions](#) representing over \$40 trillion in assets have already committed to fossil fuel divestment. SB 1173, and the broader divestment movement, intends to end the contradictory and incongruous policies that position the state of California as a climate leader while simultaneously investing billions into the fossil fuel companies powering the climate crisis. Specifically, SB 1173 would have prohibited CalPERS and CalSTRS from investing in the top 200 fossil fuel companies, required that they divest any current investments in those companies by 2030, and annually report on their divestment progress beginning in 2024.

"Today is a sad day in the history of California when the fossil fuel industry and its political allies defeated the will of the majority of CalSTRS and CalPERS beneficiaries and silenced the voices of the majority of the citizens of our great state," **said James Stone, Southern California Divestment Network.** "This defeat is just a temporary setback, however. We will organize to come back stronger to make our demand for fossil fuel divestment heard because fossil fuel companies are driving us toward unimaginable disaster and neither CalSTRS and CalPERS management nor our elected representatives are doing enough to hold them accountable. We must prevail because our common future is at stake."

This vote follows the release of a [comprehensive report](#) from Fossil Free California, which revealed that CalPERS and CalSTRS have used their influence as shareholders to obstruct climate action at major fossil fuel corporations, including BP and Shell, as well as financial institutions around the world. Since 2009, the funds' failure to divest has cost their members [over \\$17.4 billion](#) in returns.

### QUOTE SHEET

"While I am deeply disappointed that my Senate Bill 1173 was not set for a hearing in the Assembly Committee on Public Employment and Retirement this week, I remain committed to the necessary and ongoing fight against the impacts of climate change on our state, and especially those communities in my district that are disproportionately impacted by the negative effects of the climate crisis," **said Senator Lena Gonzalez (D-Long Beach).** "Teachers and state employees whose retirement futures are invested by our state's pension funds have long demanded that CalPERS and CalSTRS cease investing their money in fossil fuel companies, and this demand will only grow stronger and louder. I'm thankful for the hard work of our

grassroots supporters at Fossil Free California, the California Faculty Association, and the youth climate activists with Youth Vs Apocalypse who helped move this bill out of the Senate and look forward to continuing this fight to ensure policy aligns with our state's values as a world climate leader, and that we can pass on a livable planet to future generations.”

“Jim Cooper just decided to continue investing public money in the unequal suffering of my community. CalPERS and CalSTRS have been invested in these companies for decades, and during that time, their ‘engagement’ has come nowhere close to stopping the harm to my community or our world. Instead, fossil fuel companies have put billions into lies and disinformation to stop life-saving action on climate and pollution, and billions into exploiting more and more dangerous forms of fossil fuel extraction,” **said Lizbeth Ibarra, 18, Youth vs. Apocalypse.** “They’ve been responsible for causing sickness and death to the 2 million Californians who live within a mile of fossil fuel infrastructure, a disproportionate amount of whom are Black and Brown communities like mine. Jim Cooper decided this injustice didn't even deserve a vote.”

“Assembly Retirement Committee Chair Jim Cooper pulling SB 1173 clearly shows the blatant influence of Big Oil in California and puts fossil fuel profits and influence above protecting our public pension funds, and protecting the planet and the health of its people,” **said Jennifer Koney, Legislative Analyst at 350 Bay Area Action.** “350 Bay Area Action, its 18,000+ supporters, and the 143 unions, organizations, and coalitions of Californians who have made thousands of calls, written over 17,000 letters, and organized dozens of meetings with legislators to advocate for SB 1173 hold California legislators, especially Chair Cooper, accountable and will continue to demand strong and immediate climate action.”

“It’s past time that California stop investing taxpayer money in oil and gas companies,” **said Brandon Dawson, director of Sierra Club California.** “The fact that Assemblymember Jim Cooper—who has reported [\\$36,350 in donations from the oil and gas lobby](#)—refused to even allow SB 1173 to be heard in committee is a failure of our state leadership to hold polluting industries responsible for their role in harming California’s air quality, environment, and communities. Sierra Club California and our environmental justice partners will be working tirelessly over the coming months to advance other legislation that achieves this necessary goal.”

"By killing the fossil fuel divestment bill, Assemblymember Cooper is denying our communities a chance to fight back against the fossil fuel industry that is poisoning our air. The divestment bill offered a chance for our teachers and public employees to invest their retirement funds in line with their values of protecting our air, water

and soil,” **said Martha Dina Argüello, Executive Director Physicians for Social Responsibility-Los Angeles.**

“It is inexplicable that the Chair of the Assembly Public Employment and Retirement Committee refused to hear Senate Bill 1173 today, a CFA co-sponsored bill. This important piece of legislation would have prohibited both CalSTRS and CalPERS from making additional investments into fossil fuel companies and require them to divest nearly \$9 billion in current holdings by 2030. Fossil fuel industries contribute significantly to climate change, including devastating wildfires, extreme drought, and excessive heat,” **said Charles Toombs, CFA President.** “Why do we continue to fund fossil fuel companies—which exacerbate our climate crisis—with our pension and public funds? Right now, our state and our country are feeling the effects of the destruction of our planet and our communities, as our elected leaders remain morally absent, allowing this to happen with no repercussions to the fossil fuel companies accelerating this disaster.”

“It’s not surprising that our biggest obstacle to reducing the political influence of the fossil fuel industry in California and beyond is exactly that—the chokehold that Big Oil has on our political systems and our representatives,” **said CJ Koepp, Communications Coordinator at Fossil Free California.** “While the bill’s progress has been cut short this session, our youth-led coalition has already accomplished so much and we’ll be back next year stronger than ever.”

“As a long-time CalSTRS member and grandmother, I am heartbroken that my pension continues to finance the mega-drought, wildfires, and health issues affecting so many Californians. I don’t understand how Assemblymembers such as Committee Chair Cooper continue to buy the argument or CalSTRS’ reasoning that divestiture means less money in the pension fund — a rationalization that BlackRock has disproved,” **said Marjorie Lasky, CalSTRS beneficiary and retired History Professor.** “One thing’s for sure: we’re going to keep organizing and pushing for our state pension funds to do the right thing with our retirement savings.”

“It’s not surprising that our biggest obstacle to reducing the political influence of the fossil fuel industry in California and beyond is exactly that—the chokehold that Big Oil has on our political systems and our representatives,” **said CJ Koepp, Communications Coordinator at Fossil Free California.** “While the bill’s progress has been cut short this session, our youth-led coalition has already accomplished so much and we’ll be back next year stronger than ever.”

“California’s progress on climate action is undermined by its huge public investments in fossil fuels—trying to make a profit off the end of the earth is a mug’s game, not to mention immoral. While legislators such as Assembly Retirement Committee Chair



Jim Cooper succumb to the fossil fuel industry propaganda, we will continue to organize. We will fight until California joins the thousands of jurisdictions around the world that have done the economically and environmentally sane thing and divested,” **said Bill McKibben, Founder, Third Act.**

“Youth Climate Strike Los Angeles strongly condemns Assembly Chair Jim Cooper’s veto of Senate Bill 1173. We believe that the action should be known for what it is: an undemocratic act of cowardice and fear. SB 1173 was a bill backed by the public – by the youth, the teachers, and the everyday people taking the time to call in, meet with representatives, engage in the democratic process and envision a bold and better future,” **said Paola Hoffman, Partnerships and Social Media, Youth Climate Strike Los Angeles.** “Jim Cooper pulled the bill from a committee vote because our efforts worked, and he disagreed with the conclusion reached by a just process of conversation, demonstration, and mobilization. When the voices of his constituents no longer matched his personal agenda, he vetoed the bill, and this decision must be known and understood by all the Californians he claims to represent.”

“I am very proud of all the achievements that I and my fellow youth have made, but I find it wrong that youth find themselves fighting for what should be a human right to liveable and just planet to live on for years to come. It is sad that there are people in the world who prioritize their power and personal profit over the lives of future generations,” **said Christopher Soriano, 15, Youth vs. Apocalypse.**

“It is upsetting to see one man backed by fossil fuel interests halt a powerful coalition of voices calling for climate accountability and the divestment of our state pensions from fossil fuels. SB 1173—the Fossil Fuel Divestment Act of 2022—may have died, but we will be back next year stronger than ever,” **said Miriam Eide, Coordinating Director, Fossil Free California.** “Already we are pivoting to continue building power with our union and community allies and to keep the pressure on the state pensions through future legislation and direct pressure on the pension boards.”

“At a time when frontline communities cannot afford anymore lip service, it’s devastating that fossil fuel and corporate interest blocked this crucial legislation through committee. We cannot allow fossil fuel financing and legislators’ delay tactics to wreak any more havoc on our climate,” **said Amy Gray, Senior Climate Finance Strategist at Stand.earth.** “Frontline communities won’t wait for lawmakers to appease the fossil fuel executives while our homes burn and flood, while our bodies are polluted and our children’s futures are destroyed for profit. This isn’t the end of this fight.”

“When I read what scientists are relying on me about my future on this planet I often go through cycles of grief and frustration. When a new IPCC report gets released, I

get immobilized with anxiety, and dread. Oftentimes I can't find the motivation to get through the day. I'm not the only young person with this struggle—most of us all grew up with an understanding that our environment was in danger and the time to act was limited,” **said Sim Bilal, Logistics Lead, Youth Climate Strike LA.**

“It took New York organizers five years of work in the legislature to get their state’s pensions fund to divest. We got through the California senate in one year, and were stopped by a committee chair who has never let a divestment bill through his committee. Along with others, we plan to expose Assembly and Senate members running for seats this November with fossil fuel money. We will get a bill through in the next session and in the process, we will expose the toxic power of fossil fuel money to slow the transition to a livable and just society,” **said Cynthia Kaufman, author of *The Sea is Rising and So are We*.**

“As California suffers from a killing heat wave, Assembly Chair Cooper kills SB 1173 that mandates divestment from the major fossil fuel companies. My UC Berkeley research team’s analysis along with other studies show that divestment is financially prudent as it increases long-run returns and reduces financial risk. SB 1173 is broadly supported by environmental organizations and the public, because we do not want to use California’s assets to finance the fossil fuel industry that is responsible for climate change,” **said Professor Clair Brown, Department of Economics, UC Berkeley.** “Oil majors continue to fight California policies that will create a modern, clean energy economy, and our carbon emissions continue to rise. Together we will continue the fight for a Fossil Free California!”

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## BACKGROUND

California Public Employees Retirement System (CalPERS) and the California State Teachers’ Retirement System (CalSTRS), the United States’ largest public pension funds, invest the retirement funds of state workers and teachers at \$469 billion and \$327 billion, respectively. [A recent report](#) estimates that CalPERS invests \$5.5 billion in fossil fuel companies, and CalSTRS invests \$3.4 billion. **This is public money being used to finance climate chaos like fires, droughts, deadly heat, and pollution that Californians are bearing the costs of.**

Senate Bill (SB) 1173, which was passed by the State Senate last month, would have prohibited CalSTRS and CalPERS from investing in coal, oil, gas, and tar sands companies, and required that they divest any current investments by 2030.

SB 1173 seized the [momentum of the worldwide divestment movement](#): to date, over 1500 institutions representing more than \$40 trillion in assets have committed to some level of divestment. The Fossil Fuel Divestment Bill has support from a broad and diverse coalition of Californians, and builds on the bold and progressive actions required to address the climate crisis.

SB 1173 was written to end **contradictory and incongruous policies positioning California as a leader in the fight against climate injustice, while simultaneously investing billions in fossil fuel companies** causing climate change.

Specifically, SB 1173 would have prohibited CalPERS and CalSTRS from investing in the top 200 fossil fuel companies, and required that they divest any current investments in those fossil fuel companies by 2030. Additionally, SB 1173 would have required CalPERS and CalSTRS to annually report on their divestment progress beginning in 2024.

While the bill's progress has been stopped for this session, its supporters will return with similar legislation next year.

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## FOLLOW ALONG

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Fossil Free California	<a href="#">@FossilFreeCA</a>	<a href="#">@FossilFreeCalifornia</a>	<a href="#">@FossilFreeCA</a>
Youth vs. Apocalypse	<a href="#">@Y_v_A</a>	<a href="#">@YouthVsApocalypse</a>	<a href="#">@YouthVsApocalypse</a>

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## ADDITIONAL CONTEXT

The bill passed the Senate Appropriations Committee, and passed the Senate on May 25, 2022. SB1173 was introduced in the Assembly and referred to the Public Employment and Retirement Committee where committee chair Assemblymember Jim Cooper pulled the bill on June 20th, killing the bill.

In this time, CalSTRS and [CalPERS](#) doubled down on the futile strategy of shareholder engagement with fossil fuel corporations and international banks. Yet reports reveal that [both pension funds voted NO on a majority](#) of climate shareholder resolutions in Spring 2022, failing to achieve the bare minimum of even its own policy.

Just this month, the University of California (UC) Retirement System sent a letter notifying its beneficiaries that the fund will no longer hold fossil fuel investments, stating [\*"long-term prospects of companies that own fossil fuel reserves no longer meet the financial criteria for inclusion in the fund offerings."\*](#)

Meanwhile, fossil fuel front-group ALEC, which is [pushing anti-divestment and anti-ESG legislation](#) across the country, [penned an op-ed](#) opposing SB 1173.

The bill made it through many hearings and numerous committees and overcame quite the battle in the judiciary committee. It received local and national press coverage and lots of social media engagement. There is major momentum which is expected to continue into next year giving a reintroduced divestment bill potential to win as well as major implications for pension fund divestment legislation and campaigns across the country.

**This is a testament to the growing and powerful grassroots movement across California and around the world demanding financial institutions stop bankrolling coal, oil & gas, respect community and Indigenous rights, and invest in a climate-safe future that puts our health and safety first.**

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## RECENT COVERAGE

- **Capital & Main:** [Advocates Fear Top Democratic Lawmaker Will Kill California Fossil Fuel Divestment Bill](#)
  - **Nation of Change:** [As California considers dropping fossil fuels from major pension funds, new report calls out 'misinformation' on costs](#)
  - **ESG Investor:** [Californian Pension Funds Face Forced Divestment of Fossil Fuel Holdings](#)
  - **Sacramento Bee:** [Pension funds CalPERS, CalSTRS must divest from fossil fuels](#)
  - **The Washington Post:** [Bills in blue states target the fossil fuel industry for climate damage](#)
  - **Financial Standard:** [Fossil fuel divestment bill passes California Senate](#)
  - **Common Dreams:** [New Report Reveals California Pensions Calpers, Calstrs Vote No on Big Oil Shareholder Climate Resolutions](#)
  - **SF Chronicle:** [Dividing issue in the race for state controller pits Californians' hearts against their wallets](#)
  - **Capital & Main:** [Will California's Fossil Fuel Industry Use the Ukraine War to Undermine Oil and Gas Legislation?](#)
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## REPORTS & REFERENCES

- **June 2022:** [California Pensions Fail to Engage](#)
  - **May 2022:** [What Does Divestment Cost? Misinformation from CalPERS and CalSTRS](#)
  - **May 2022:** [Hyperbole in the Hearings: Pension Funds Exaggerate the Cost of Divestment](#)
  - **September 2019:** [California State Teachers' Retirement System \(CalSTRS\) Pays High Cost for Holding on to Fossil Fuel Stocks](#)
  - [Global Fossil Fuel Divestment Database](#)
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## RECENT PRESS MATERIALS

- **June 2022:** [New report reveals California pensions CalPERS, CalSTRS vote NO on Big Oil shareholder climate resolutions](#)
- **May 2022:** [What Does Divestment Cost? Misinformation from CalPERS and CalSTRS](#)

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- **May 2022:** [CalSTRS Exaggerates Costs of Divestment](#)
  - **April 2022:** [CalSTRS Tunes Out Teachers to Engage with Exxon](#)
  - **March 2022:** [CalPERS' Portfolio Harbors Nearly \\$45 Billion in Stranded Fossil Fuel Assets](#)
  - **March 2022:** [To Help Ukraine, Will Pensions Divest From Unethical Fossil Fuels?](#)
  - **February 2022:** [Climate Justice Coalition Cheers as Senator Gonzalez Introduces Pension Fossil Fuel Divestment Bill](#)
  - **December 2021:** [CalSTRS Says Exxon in Danger of Being Next Blockbuster, Kodak](#)
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## **SUPPORTING UNIONS, ORGANIZATIONS & GROUPS**

California Faculty Association (Sponsor)  
 Fossil Free California (Sponsor)  
 Active San Gabriel Valley Alliance of Nurses for Healthy Environments  
 Asian Pacific Environmental Network  
 Atmos Financial PBC  
 Azul  
 Bay Area Youth Climate Action Team  
 Black Women for Wellness Beyond  
 Terra California Environmental Voters (formerly CLCV)  
 California Federation of Teachers California  
 Interfaith Power & Light California Nurses for Environmental Health & Justice  
 California State Treasurer, Fiona Ma  
 CALPIRG City of Long Beach  
 City of San Mateo Climate Action Team  
 Change Begins With ME Citizens' Climate Education,  
 Tri-Valley Chapter Citizens' Climate Lobby - Alameda County Chapter  
 Clean Water Action Climate Action Santa Monica  
 Climate Hawks Vote  
 Climate Health Now  
 Climate Psychiatry Alliance  
 Compassion, Peace and Justice Ministry of Davis Community Church  
 Conejo Climate Coalition  
 Dayenu Circle at the Orchard

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Defenders of Wildlife  
Direct Action Everywhere  
Divest the CSU of Fossil Fuels Earth Action, Inc.  
Earth Guardians  
Elected Officials to Protect America  
Environmental Working Group  
Equity Transit  
Extinction Rebellion San Francisco Bay Area  
Friends Committee on Legislation of California  
Green Party of Santa Clara County  
Harmony Union Teachers Association  
Indivisible Beach Cities  
Indivisible California Green Team  
Indivisible ReSisters Walnut Creek  
Indivisible Sonoma County  
Indivisible South Bay  
LA Let's Green CA!  
Local Clean Energy Alliance  
Long Beach Alliance for Clean Energy Movement  
Generation Oakland Education Association  
Orinda Community Church Creation and Justice Committee  
Pacifica Climate Committee  
Physicians for Social Responsibility- Los Angeles  
Physicians for Social Responsibility - Sacramento  
Planting Justice  
Public Health Advisory Council, Climate Actions Campaign  
Regional Climate Protection Authority  
San Diego Pediatricians for Clean Air  
San Diego 350  
Santa Barbara Standing Rock Coalition  
Santa Cruz Climate Action Network  
Schools for Climate Action Sequoia District Teachers Association  
Sierra Club California Sonoma County  
Transportation Authority  
Stand.earth  
Sunflower Alliance  
Sunrise Movement San Diego  
The Climate Center

The Greenlining Institute  
TIAA-Divest! from climate destruction  
UDW/AFSCME Local 3930  
Yolo Interfaith Alliance for Climate Justice  
Youth Climate Strike Los Angeles  
1000 Grandmothers for Future Generations  
350 Bay Area  
350 Bay Area Action  
350 Butte County  
350 Conejo/San Fernando  
350 Humboldt  
350 Marin  
350 Sacramento  
350 Silicon Valley  
350 South Bay Los Angeles  
350 Southland Legislative Alliance

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## QUOTE SHEET

**Raven Fonseca Jensen (18), Campaign Coordinator, Youth vs. Apocalypse:**

“The fact that CalSTRS and CalPERS are actively voting against any climate policy WITHIN fossil fuel companies should make it clear to everyone that these oil companies and those who support them will never take the adequate steps to prevent total climate catastrophe. These companies’ only interest is profit, and they will always choose that over human life. We need a complete break with the fossil fuel industry if we want to see any kind of climate justice.”

**CJ Koepp, Fossil Free California Communications Coordinator:**

“It’s critical that SB 1173 passes through the Assembly to put an end to CalPERS’ and CalSTRS’ failed attempts to transform oil, gas, and coal corporations into clean energy companies. These investments have real-world consequences—not only for the firefighters, teachers, and healthcare workers who are counting on their pensions to invest responsibly, but for the people across California who bear the brunt of wildfires and pollution.

**Charles Toombs, CFA President:**

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“The latest reports show that CalPERS and CalSTRS misled us—their members—by voting against climate resolutions, despite claiming their engagement with fossil fuel companies will help bring about needed change. Studies have already shown a failure to divest in fossil fuels in the last decade cost us [an estimated \\$11.9 billion in returns](#). The systems lost us money and are actively supporting companies opposed to our present and future needs to combat ecological changes and support environmental justice. It’s long past time for lawmakers to do what these retirement pensions cannot: protect our future investments and pass Senate Bill 1173 this year to start the process of divesting from fossil fuels.”

**Tom Sanzillo, Director of Financial Analysis, Institute for Energy Economics and Financial Analysis:**

“It is with supreme disappointment that I have watched my former colleagues at CALSTRS and CALPERS ignore the growing financial, geopolitical and climate risks that now converge and have eliminated any basis for investing in the oil and gas sector. They know better and perhaps the voice of the California legislature can remind them of their fiduciary duty. Divestment will serve to defend the funds against the loss of value from competitive market forces and to stand against the worst excesses of the industry we are seeing in the Ukraine.”

**Bill McKibben, Founder, Third Act:**

“The climate crisis is the gravest trouble that humans have ever wandered into—and we’ll only get out of it if we have the courage to take on those whose lies, denial, and vested interest stand in the way of change. CalPERS and CalSTRS should never have helped the oil companies defeat climate action—but then, they should long since have ended their involvement with them at all.”

**Zenei Triunfo-Cortez RN, Co-President of California Nurses Association / National Nurses Organizing Committee:**

“As nurses, we see the health consequences from the effects of pollution created by fossil fuels. We deal with the human fallout of climate injustice. Enough is enough. We must hold our local, state, national, and world elected officials accountable for passing and enforcing laws, policies, and regulations that will help reverse climate change.”



**Sim Bilal (19), Logistics Lead, Youth Climate Strike LA:**

“It’s time for us to hold oil, gas, and coal companies accountable for putting profits above all life on Earth. That means it’s time for CalPERS and CalSTRS to stop pretending that the fossil fuel industry is on our side and divest from the corporations that are literally killing us.”

**Brandon Dawson, Director of Sierra Club California:**

“The coalition’s report confirms what environmental advocates across the state have been loudly exclaiming for decades: it’s past time that California public agencies stop investing money in fossil fuel companies. Despite CalPERS and CalSTRS’s best efforts at stakeholder engagement, polluting industries like oil and gas have consistently refused to take necessary actions towards addressing their emissions. We must divest from them, and continue to hold these industries responsible for their role in harming California’s air quality, environment, and communities.”

**Amy Gray, Senior Climate Finance Strategist at Stand.earth:**

“Divestment from fossil fuels companies is an investment in our future. Pension funds must live up to their fiduciary duty, and protect pensioners and climate alike, by wielding their institutional investor power for climate resolutions at banks’ shareholder meetings. Yet CalPERS & CalSTRS voted against all climate resolutions at all big banks and major fossil fuel companies. CalPERS and CalSTRS are hiding behind the fool’s errand of shareholder engagement with fossil fuel companies while talking a big game about engaging on climate. They are not only actively voting against climate, they continually obstruct climate action while communities experience devastating drought and wildfires. It’s morally reprehensible.”

**Carol Van Sant, CalSTRS member, 1000 Grandmothers for Future Generations:**

“I do NOT want my pension dollars or my tax dollars invested in climate destruction fossil fuels. Our money should be invested in forward thinking green energy and climate restoration innovation.”

**Jane Vosburg, CalSTRS beneficiary and Fossil Free California President.**

Since 2014 CalSTRS has been touting the effectiveness of engaging with fossil fuel companies as opposed to their beneficiaries’ requests that they divest. So much for engagement! BP, Chevron, Eni, Equinor, ExxonMobil, Repsol, Shell,

and TotalEnergies are involved in over 200 expansion projects on track for approval from 2022 through 2025. Engaging with fossil fuel companies in a lost cause. To quote UN Secretary General Antonio Guterres: *Investing in new fossil fuels infrastructure is moral and economic madness.*"



## **SB 1173: FREQUENTLY ASKED QUESTIONS**

- [How much do CalPERS and CalSTRS have invested in fossil fuels?](#)
- [How do CalPERS and CalSTRS constituency groups feel about fossil fuel divestment?](#)
- [Is divestment effective?](#)
- [What have the experts said about the fiscal impacts of fossil fuel divestment on the fund?](#)
- [Are fossil fuel investments significant parts of the funds?](#)
- [Isn't it better for CalSTRS and CalPERS to engage with fossil fuel companies?](#)
- [Is CalSTRS and CalPERS Divestment aligned with Governor Newsom's climate agenda?](#)
- [Will this bill have an impact on jobs?](#)
- [Does Fossil Fuel Divestment Punish the "good" oil companies that are investing in clean energy as well as those which are not reducing emissions?](#)
- [Who has divested from fossil fuels?](#)
- [Which organizations representing CalPERS or CalSTRS recipients are calling for divestment?](#)
- [What is the Social Cost of Carbon?](#)
- [How does divestment minimize risk in CalPERS and CalSTRS Portfolios?](#)
- [Does divestment introduce a "Tracking Error" into the funds' portfolio performance against benchmarks?](#)
- [Shouldn't we be encouraging oil and gas production in California? Is it more environmentally friendly than the fossil fuels coming from other places?](#)
- [Are CalPERS and CalSTRS currently in alignment with the goals of the Paris climate accord and climate legislation & regulation in California?](#)

### *How much do CalPERS and CalSTRS have invested in fossil fuels?*

CalPERS has roughly 5.5 billion dollars, and CalSTRS 3.4 billion dollars of stock and bond investments in coal, oil and gas production companies. As of its latest investment report (2019-2020) CalPERS has direct investments in 53 of the 100 world's largest coal companies, and 78 of the 100 world's largest oil and gas companies. Using a broader definition of fossil fuel companies that includes fossil fuel support companies such as exploration and equipment and gas and coal electric utilities, CalPERS has roughly 27.1 billion dollars, and CalSTRS 15.6 billion dollars of investments.

### *How do CalPERS and CalSTRS constituency groups feel about fossil fuel divestment?*

Close to 200,000 union members and beneficiaries of CalPERS and CalSTRS have passed fossil fuel divestment resolutions, including the United Teachers Los Angeles, the California Federation of Teachers, and the California Faculty Association, and the Faculty Association of the California Community Colleges.

### *Is divestment effective?*

The goal of divestment is to take away the social license of the fossil fuel industry, to diminish their political impact in slowing legislation to address the climate crisis. The industry is the main brake on climate legislation in California and nationally. In the cases of divestment from the apartheid regime in South Africa and tobacco, divestment proved to be a very effective strategy for shifting political power to allow for change. Supporters of the fossil fuel industry have been fighting hard against divestment.

### *What have the experts said about the fiscal impacts of fossil fuel divestment on the fund?*

According to former deputy comptroller for the State of New York, Tom Sanzillo, "Two major financial management firms, BlackRock and Meketa, have separately concluded that investment funds have experienced no negative financial impacts from divesting from fossil fuels. In fact, they found evidence of modest improvement in fund return... BlackRock and Meketa say divestment from fossil fuels improves, not weakens, investment returns." whole article. In a pre-COVID study that compared the funds' return if they had divested in 2009 and spread the investment across the rest of the portfolio compared to actual value in 2019, it was found that CalPERS would

have been \$11.9 billion richer, and CalSTRS would have gained an additional \$5.5 billion.

*Are fossil fuel investments significant parts of the funds?*

Fossil fuel company investments (as defined by the bill) make up only about 1% of CalPERS and CalSTRS total holdings. As such, divestment will not decrease diversification or increase risk. The 200 largest producers of fossil fuels comprise merely 1% of the pension funds' portfolios. This \$9 billion is a tiny fraction of the \$40 trillion of cumulative divestment commitments made worldwide.

*Isn't it better for CalSTRS and CalPERS to engage with fossil fuel companies?*

According to former SEC commissioner Bevis Longstreth, "Indeed, engagement is likely to assist Big Oil and Big Coal in postponing the day when governments limit the burning of fossil fuels. The International Energy Agency reckons that, if governments act to compel adherence to the "carbon budget" necessary to have a chance of holding the planet to only a 3.6 F rise in temperature from pre-industrial levels, it will cause Big Oil and Big Coal to lose about \$1 trillion a year. Engagement with institutional investors like Harvard gives the fossil fuel giants the protective cover they need to stretch out the transition process to renewables for as long as they can. It legitimizes talk over action....There are some ESG issues (i.e. environmental, social, and governance issues) where shareholder engagement has been tried and been successful. However, the closer one comes to trying to affect core business issues or issues involving the safety, security and compensation of officers and directors, the less successful engagement becomes. In fact it's a bust. Thus, for example, trying to convince Phillip Morris to give up making cigarettes or Johnny Walker to abandon its distilleries will most certainly be a fool's errand....It is for this reason that divestment became the tool of choice in addressing tobacco companies. And companies heavily engaged in profitable businesses in South Africa under apartheid. In regard to fossil fuel companies directly engaged in extractive activities, it is unrealistic to imagine them being swayed by shareholder arguments to get out of their core business of exploring for, extracting and selling carbon-emitting fuel." For a more in



depth set of responses to the shareholder engagement argument see [this article](#).

### *Is CalSTRS and CalPERS Divestment aligned with Governor Newsom's climate agenda?*

The Governor's Executive Order on Climate Change (EO N-19-19) calls on CalSTRS to "leverage the state's \$700 billion investment portfolio to advance California's climate leadership, protect taxpayers, and support the creation of high-road jobs." The single greatest step the pension funds could take would be to sell off its fossil fuel portfolio.

### *Will this bill have an impact on jobs?*

Many labor unions support SB 1173. The ones which have come out in opposition to the bill are almost all associated with the California Building and Construction Trades Council. According to [Aaron Cantu](#) in his study of how these two organizations have successfully killed climate bills in California, that council has a [formal agreement with the Western States Petroleum Association](#) to resist legislation that counter the interests of the fossil fuel industry. The industry has also consistently lied about the number of fossil fuel jobs in the state, according to [Dan Bacher](#). There are no published studies that show that fossil fuel divestment has a negative impact on jobs. There is a body of literature on the economic impacts of divestment and none of it shows that it leads to job losses. However global and state climate policies require that the production of fossil fuels be phased out if we want a liveable planet.

The Western States Petroleum Association, or WSPA – the most powerful corporate lobbying group in Sacramento – claims that there are 368,000 jobs in the oil industry in California. But a just-released Food & Water Watch analysis counts just 22,000 jobs in the industry in California, based on Department of Labor statistics — and says this total has dropped 40% over the past decade. "Overall, oil and gas production account for barely one-tenth of 1% of all employment in California," the analysis revealed.



*Does Fossil Fuel Divestment Punish the "good" oil companies that are investing in clean energy as well as those which are not reducing emissions?*

SB1173 requires CalPERS and CalSTRS to divest from the top 100 coal and the top 100 gas and oil producers. According to published reports by Climate Action 100+, none of these 200 companies has published a realistic plan to align with the Paris climate goals. Big Oil has focused on "reducing carbon intensity of output" rather than "reducing carbon emissions", and their carbon and methane emissions have been increasing. A recent financial analysis of BP, Chevron, ExxonMobil and Shell found insignificant spending on clean energy, with their claims of clean energy not matching their actual investments and actions. In Congressional testimony and shareholder meetings, the company CEOs focus on extending their operations indefinitely by using carbon capture and biofuels, which are both heavily subsidized by Federal and California taxpayers and which cannot reliably meet climate goals.

*Who has divested from fossil fuels?*

Worldwide 1,500 institutions with over \$40 trillion in assets have committed to divestment including:

- *Public employee pension funds:* State and City of New York, State of Maine, the province of Quebec.
- *Universities:* California State University and U.C. systems, Harvard, USC, and SF, Chico and Humboldt State.
- *Religious organizations:* the Vatican, United Church of Christ, Episcopal Church USA, Unitarian Church, World Council of Churches.

*Which organizations representing CalPERS or CalSTRS recipients are calling for divestment?*

California Faculty Association; California Federation of Teachers; Sixteen California Teacher Association chapters including Oakland (OEA), San Diego, San Francisco, and Los Angeles (UTLA); Faculty Association of California Community Colleges; Local 743 of SEIU 1000; CSU Emeritus and Retired Faculty and Staff Association; and the Academic Senate of California State University.

### *What is the Social Cost of Carbon?*

Divestment aims to decrease emissions of GHGs and toxics, which are the primary cause of climate change. These emissions impose a Social Cost of Carbon (SCC) upon society. There is widespread scientific consensus that the SCC will continue to increase annually unless we achieve deep decarbonization. Per California Air Resources Board, a total of 424 million MT (MMT) of carbon dioxide equivalent (CO<sub>2</sub>e) was emitted in 2017. The total annual SCC from CA emissions is  $424 \text{ MMT CO}_2\text{e} \times \$150/\text{MT CO}_2\text{e} = \$63,600,000,000$  (\$63.6 billion).

### *How does divestment minimize risk in CalPERS and CalSTRS Portfolios?*

During the period from 30 June 2014 to 30 Nov. 2021, the largest fossil fuel funds had a negative total return (including dividends) in contrast to the positive total return of the SP500 and each of the other 8 sectors. This confirms the financial risk of investing in fossil fuel energy. The global divestment initiative began in 2012, but did not develop much momentum until 2014. Also, scientific verification of climate change has increased substantially since 2014. CA will benefit most by divesting promptly, before the burgeoning popularity of divesting triggers steeper losses.

The sector with the highest *Beta* (risk) and lowest *Alpha* (return relative to the SP500) is fossil fuel energy. Thus, all other sectors have a superior risk: reward ratio.

In contrast to the absence of published empirical research verifying the efficacy of engagement, there is a growing body of research on divestment from fossil fuel securities. Divestment, but not engagement, may be used to decrease the risks (e.g., *Beta*, poor returns, and climate) to a portfolio. Nearly all research finds that divestment from the fossil fuel sector either does not change total return or increases total return. Thus, it is a promising way of improving risk-adjusted returns and meeting fiduciary responsibilities.

### *Does divestment introduce a “Tracking Error” into the funds’ portfolio performance against benchmarks?*

Pension funds typically watch how much their returns “track” a benchmark, such as the MSCI All Country World Index. Tracking error is the percentage

difference (plus or minus) between benchmark performance and the fund's performance. If a fund diverges from a benchmark, because it is doing better than the benchmark fund, a "tracking error" is a good thing.

*Shouldn't we be encouraging oil and gas production in California? Is it more environmentally friendly than the fossil fuels coming from other places?*

Most of the oil produced in California involves [higher carbon emissions](#) than notoriously dirty tar sands oil. California's oil is mostly rated as "heavy" crude oil, using API gravity metric (i.e., a measure of density or weight per volume): 68 percent is heavy, 24 percent is medium, and 8 percent is light. California's oil also has a high sulfur content (i.e., the percentage of sulfur in crude), which is undesirable for two reasons: toxic sulfur oxides are formed when sulfur burns, and sulfur is corrosive and causes damage to refinery equipment and pipelines. Crude oil is rated by sulfur content, as "sweet" (sulfur content  $\leq 0.5\%$ ) or "sour" (sulfur content  $\geq 0.5\%$ ). Gravity and sulfur content affect the market value of crude, with lighter, sweeter crude oil having a higher price. In 2018, California refineries had 31 percent of crude from California fields, 11% from Alaska, and 58% from abroad. Alaskan crude oil averages an API gravity rating of "light". The foreign crude oil refined in California comes from Saudi Arabia (light and sour) and Ecuador (heavy and sour), along with many other smaller sources worldwide. Altogether California refineries processed crude oil having an average API gravity of 26.18 and an average sulfur content of 1.64 percent, which is heavier and sourer than crude oil processed by U.S. refineries outside California.<sup>1</sup>

The California refineries can choose the gravity and sweetness of the oil that is refined by the market price of the crude and refined products along with their refining costs. Because California refineries have been set up to the process heavier, sour crude oil from California oil fields, they want to replace heavy, sour California oil with similar, and less valuable, crude oil that fits their refining process and business model. Overall California refineries are heavy polluters, accounting for 11% of all greenhouse gas emissions in California, and one-half of the industrial emissions.<sup>2</sup>

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<sup>1</sup> [https://www.energy.ca.gov/sites/default/files/2020-02/2020-02\\_Petroleum\\_Watch\\_ADA\\_0.pdf](https://www.energy.ca.gov/sites/default/files/2020-02/2020-02_Petroleum_Watch_ADA_0.pdf)

<sup>2</sup> <https://sd13.senate.ca.gov/news/getting-to-zero/august-25-2021/california's-largest-sources-greenhouse-gas-emissions>

*Are CalPERS and CalSTRS currently in alignment with the goals of the Paris climate accord and climate legislation & regulation in California?*

The pension funds' net-zero by 2050 pledges are not in alignment with California policy. The funds have not taken on the goal of being Paris-compliant or furthering the climate and climate finance goals of California legislation, regulations, and Executive Orders. Of the 200 largest fossil fuel producers the funds are invested in, zero have proven plans to achieve their aspirations of reaching net zero by 2050.